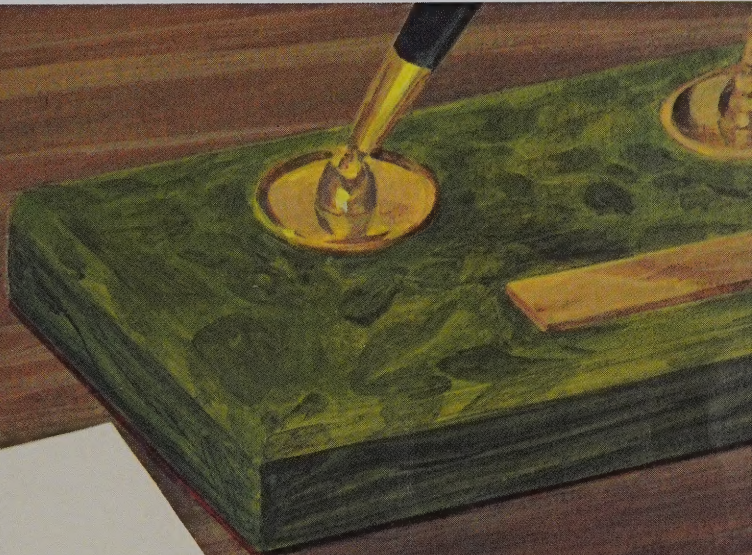


AR27



STEINBERG'S LIMITED
PLACE CRÉMAZIE, 110, O. BOUL. CRÉMAZIE, MONTRÉAL 11, CANADA

OFFICE OF THE PRESIDENT
CABINET DU PRÉSIDENT

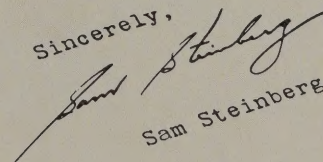
Dear Employee:

This is the 50th Anniversary of
Steinberg's founding.

From one small store in 1917 we have
grown to be a modern, diversified enterprise
supplying food, clothing and other essentials
to millions of Canadians.

It is my privilege to dedicate this
Annual Report to the nearly 18,000 Steinberg
men and women whose industry, imagination and
enthusiasm contribute so much to the Company's
progress.

Sincerely,


Sam Steinberg



© Serving Canadian Families Since 1917

HIGHLIGHTS OF 1967

Record sales of \$439,495,953

Net earnings of \$7,698,308

12 food, 4 department stores opened

Canada's most modern bakery

Investment in Phenix Mills Limited

Acquisition of Ivanhoe Corp.

Sponsorship of Youth Pavilion at Expo '67

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*On peut obtenir un exemplaire français du
présent rapport annuel en s'adressant au
secrétaire de la Compagnie, 110 ouest,
boulevard Crémazie, Montréal, Québec.*

HEAD OFFICE: Place Crémazie, 110 Crémazie Boulevard West, Montreal 11, Quebec

A Look Backward

1917

War raged in Europe; Canadian troops took Vimy Ridge. Médéric Martin was mayor of Montreal, and the Montreal Star sold at 1¢ a copy... Mrs. Ida Steinberg, the mother of six children, started selling groceries in a small store on St. Lawrence Boulevard. It was narrow and deep—"about the size of a small living room". Her philosophy was simple: "Always give them a little more than they expect". She bought the best, displayed it attractively, sold it for less.



1919

The good reputation of the little store spread rapidly. It was necessary to expand. Young Sam Steinberg negotiated the rental of a store next door at \$60 per month... In Europe the League of Nations was being formed.

1926

The Roaring 20's! The London Imperial Conference recognized Canada and other Dominions as being "equal in status" to Britain... Though times were good, the young family worked hard. Long store hours and late deliveries left little time for Mary Pickford or Rudolph Valentino. A family council decided to open Steinberg's first branch store on Bernard Avenue.

1930



Wiley Post and Harold Getty flew around the world in 8 days. The grim depression made it more important than ever for families to buy well. Steinberg's published its first merchandising ad in the Montreal Star, featuring Campbell soup at 7¢ a tin. Growth of the business (now 4 stores) justified incorporation as "Steinberg's Service Stores Limited".

1933

Despite the depression, the tenth store, an experimental self-service "Wholesale Groceteria" opened near the Montreal Forum. Telephone orders and free delivery were discontinued; a cash and carry policy was instituted; prices were cut 15% to 20%... Canada signed its first trade agreement with France.

1937

A year of "recession" but Steinberg's began a new phase of expansion through supermarkets. Company sales totalled \$3,365,491, less than 1% of 1967 sales... A Royal Commission was appointed to study relations between the Federal and Provincial Governments under the British North America Act.

1939

World War II erupted; many employees left to serve. The Company's first meat department was proving to be extremely popular. The first customer parking lot was built. Two years later the first out-of-town store was opened at Arvida to serve the needs of workers in the vital aluminum industry.

1942

Canada mourned its losses at Dieppe. A second Steinberg ambulance was presented to the Red Cross. More than 95% of the Company's 700 employees subscribed for War Savings; over 75 were on active service . . . Mrs. Ida Steinberg died.

1943

Steinberg's introduced the first self-service meat department in North America. The Steinberg's Employees' Mutual Benefit Association was formed . . . Mackenzie King was host at Quebec where Churchill and Roosevelt conferred on the opening of a second front.

1947

Physical expansion, delayed by the war, was resumed with the opening of a new store in Ottawa. The Company's 1,150 employees now catered to the needs of over 200,000 customers weekly. Annual sales exceeded \$18 million . . . Oil was discovered in Leduc, Alberta. The Canadian Citizenship Act was passed.

1954

Ivanhoe Corp. (formed the previous year) built the first Steinberg shopping centre at Dorval. Car order depots and visual meat packaging became a feature of most new stores. The Company established a profit sharing retirement plan. Thirty-four stores had a sales volume of over \$89 million.

1958

Steinberg's acquired 49% of Ivanhoe Corp. and offered its own Class "A" stock to the public. Employees participated through a Stock Purchase Plan . . . Canada's population passed 17,000,000.

1959

The Company "invaded" Ontario, purchasing 38 Grand Union stores . . . Georges P. Vanier became Canada's Governor General. The St. Lawrence Seaway opened to the world's commerce.

1961

Miracle Mart was born. A new corporate symbol was adopted. Sales exceeded \$250 million.

1962

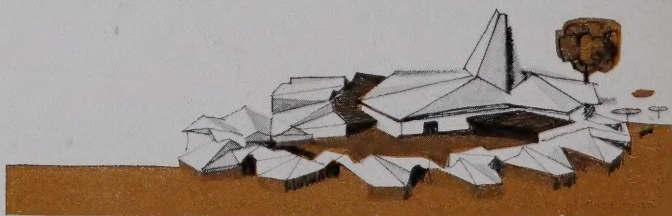
Our staff installed the first computer in the Canadian food industry. 543 Steinberg men and women received long service awards . . . Canada's "Alouette" satellite was put in orbit.

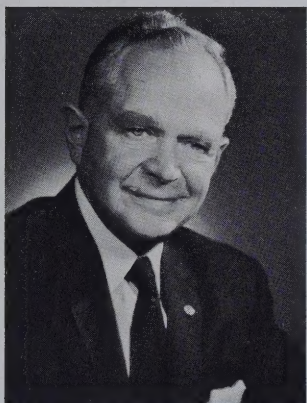
1965

Miracle Mart opened its 10th department store . . . Canada unfurled its own distinctive flag.

1967

Canada's Centenary and Steinberg's 50th Anniversary. The Company sponsors activities of the Youth Pavilion at Expo '67 . . . A great year for all Canadians!





©Karsh, Ottawa

REPORT TO SHAREHOLDERS

The year 1967 was a memorable one. Our own 50th Anniversary coincided with Canada's Centennial and with Expo '67 which brought the world to our doorstep. Inevitably it made us more aware of the extent to which the achievements of Canada's century, the great success of Expo and the progress of our own Company since 1917 are the result of individual effort, ingenuity and perseverance.

On behalf of the Directors I am pleased to report that in 1967 Steinberg's Limited and its subsidiaries once again registered gains in sales, in physical growth and in the development of the men and women who will assume increasing responsibility for the conduct and direction of our business in future years.

SALES

Steinberg's constant aim has been to achieve leadership in the market place—to give better value and service so as to merit the public's continuing confidence. It is encouraging to note that despite intensive competition in all the markets we serve, our retail sales for the year ended July 29, 1967 attained a record high of \$439,495,953, exceeding last year's sales of \$400,882,856 by 9.6%. Expressing our growth in terms of sales, we have more than tripled in size since 1957 when sales amounted to only \$132,431,428.

EARNINGS

After six years of substantial increases, the consolidated net earnings of the Company levelled off at \$7,698,308, a very slight advance from the \$7,639,787 earned last year. Income attributable to operations declined sharply from the levels attained in 1966 but the acquisition of Ivanhoe Corp. (referred to later in this report) provided sufficient additional income to overcome the shortfall. Ivanhoe's accounts are not consolidated with those of Steinberg's for financing, and for this reason, and because of the substantially different nature of the balance sheets, the statements are produced herein unconsolidated. However,

Ivanhoe's consolidated net earnings for the three month period ending July 29, 1967 have been taken into Steinberg's income.

Per share earnings of the Company were unchanged at \$1.11 for each Common and Class "A" share outstanding. (This year's earnings have been calculated on 6,695,064 shares which include 55,320 additional Class "A" shares issued during the year pursuant to the Employee Stock Purchase Plan 1964 and the exercise of stock options by senior employees.) On a per dollar of sales basis, our earnings declined from 1.90 to 1.75 cents.

ASSETS AND LIABILITIES

The Ivanhoe acquisition

A number of important steps were taken during the year to strengthen the Company's financial position. All outstanding 5¼% sinking fund debentures of the Company were retired because of restrictive trust deed covenants which effectively prohibited the acquisition of Ivanhoe Corp. as a subsidiary. The Company also exchanged \$15,000,000 of its advances to Ivanhoe Corp. for 150,000 of Ivanhoe's 5% non-cumulative redeemable preferred shares. In addition, a total of \$6,500,000 was borrowed on promissory notes maturing between 1969 and 1972. Finally, Steinberg's acquired the 51% share interest in Ivanhoe held by the Steinberg family, thus becoming sole owner of that company.

The Ivanhoe acquisition is regarded by the Directors as a logical and important step in the Company's long range plans. It followed many months of intensive study within the Company, as well as an evaluation by Canadian Appraisal Company Limited of all outstanding shares of Ivanhoe Corp. as of April 30, 1967. The appraisal determined the total value of all such outstanding shares to be \$23,000,000.

The selling shareholders agreed to accept \$9,996,000 as the purchase price for their 51% share interest and payment has been made by the issuance of 102,000 non-cumulative redeemable Subordinated Preferred

shares of the Company of the par value of \$98 each. The new shares are non-voting and contain provisions concerning dividends and redemption which are favorable to the over-all interests of the parent company. No dividend may be paid on these shares prior to August 1, 1972; thereafter holders may receive non-cumulative dividends at the rate of 2½% per annum, if and when declared by the Directors. None of the new shares may be retired before August 1, 1972; after that date the Company may redeem or purchase such shares in cash but only up to a maximum paid up value of \$1,000,000 in each year.

Reflecting these various changes, as well as increased investment in inventories, equipment, fixtures and leasehold improvements, the total assets of the Company at the year-end increased to \$153,987,722. Working capital declined to \$21,283,006 with current assets 1.6 times the current liabilities. Substantiating data appears in the Source and Use of Funds on page 9 of this report.

DIVIDENDS AND SHAREHOLDERS' EQUITY

The usual dividend of \$5.25 per share was paid on the Preferred shares. Dividends on the Common and Class "A" shares were maintained at the annual rate of 36 cents. Dividends paid on all classes of shares totalled \$2,645,141 compared to last year's total of \$2,431,416.

As mentioned above 55,320 Class "A" shares were issued to employees; 145 Preferred shares were redeemed. The shareholders' equity rose by over \$15 million to \$85,682,281; on a per share basis it increased from \$9.85 to \$10.61.

Our fourth Employee Stock Purchase Plan was inaugurated during the year.

FACTORS AND TRENDS AFFECTING PROFITABILITY

In 1967 we opened twelve food stores and closed one, bringing the total in operation to 168. Initial results of both the Ontario and Quebec food divisions were encouraging. However, in the early fall there was widespread consumer concern throughout North America with the general trend of rising prices. This found its easiest expression in widespread boycotts and picketing directed against the food industry. Canadian shoppers reacted against food stores as the most convenient target since that is where they shop most frequently and spend much of their income. The resultant publicity gave rise to public price inquiries in which Steinberg's and all other major Canadian food retailers participated.

We believe these inquiries showed clearly that increases in food prices were directly attributable to conditions of supply and other economic factors such as higher costs of labour, transportation, taxes, etc. Nevertheless, the hearings did focus the attention of all retailers on the consumers' urgent wish to see food prices lowered.

Our own Company reacted with characteristic vigour. Organized consumer groups had strongly criticized the giving of premium stamps, contending that they added unduly to the cost of food. While we did not

share this view, we stopped giving Pinky stamps in all our stores and embarked on a policy of substantially lower food prices. This had an adverse effect on operating profit. Effects of this change are still being assessed.

For most of our 50 years we were concerned almost exclusively with the retailing of food; that activity is still the core of our business. Nevertheless, as has been pointed out in earlier annual reports, we expect that our recent diversification into general merchandising and into manufacturing and processing will add importantly to the long-term growth and profitability of the Company.

It is appropriate that we experienced our greatest expansion in the department store field during our Anniversary year. Approximately 60% was added to Miracle Mart selling floor space. We opened four large Miracle Mart department stores—on the Trans-Canada Highway near Montreal; in Longueuil, Quebec; in Windsor, Ontario; and in the Alexis Nihon Plaza in downtown Montreal. The latter, a three-storey complex at Atwater and St. Catherine Streets, is the Company's largest retail outlet. Fifteen Miracle Marts are now in operation in Quebec and Ontario.

The unusually heavy pre-opening expenses of the four new stores have been charged to the year's operations. With no department store openings scheduled for 1968, the contribution to earnings of the department store division should improve significantly.

Our subsidiary, Steinberg Foods Limited, opened its new bakery early in the fiscal year. This modern, highly automated plant, one of the largest in Canada, has enabled Steinberg to take the lead in supplying high quality bread and baked goods at reduced prices. High start up costs were incurred in bringing this new plant into production but we anticipate increased efficiency and profitability in the new year.

On an experimental basis, the Company opened four Pik-Nik drive-in restaurants in the Montreal area and a number of doughnut kiosks. These have not yet made any contribution to earnings.

FURTHER DIVERSIFICATION

In recent years the Company has taken advantage of opportunities to invest in other companies engaged in activities related to its business. During 1967 we acquired an approximate 30% interest in Phenix Mills Limited, the fifth largest flour mill in eastern Canada. Although it will be some time before we can anticipate a dividend return, this is an important source of supply and we feel it has great potential for growth.

Cartier Refined Sugars Limited, in which the Company invested a few years ago, is progressing satisfactorily and we have started to receive some dividend income.

In France, our affiliate Supermarchés Montréal has made slower progress than anticipated in commencing operations. However, two large stores are expected to open during 1968 (one is already under construction) and prospects for additional openings appear bright. A number of able young Frenchmen

who will occupy key positions in this venture have spent periods of training in Montreal studying our methods of operation.

IMMEDIATE PLANS

Approximately 10 supermarkets are scheduled for opening in the 1968 fiscal year and a large number, mainly in Ontario, will be modernized. No department stores will open during the year although a number are in the planning stages. Some existing Miracle Marts will be renovated. Additional office space is being built to meet the needs of the Quebec division.

We view the coming year as a period of concentration on existing operations rather than one of marked expansion.

OUR PEOPLE—OUR FUTURE

For all that Steinberg's has achieved in 50 years, we owe our grateful thanks. Customers, suppliers, shareholders, bondholders and countless individuals and business firms have given us wonderful support. Our employees have both our admiration and our gratitude.

What will the future hold?

Some view the present Canadian political and social scene with pessimism. We do not. As a Company founded in Quebec and operating largely in Quebec

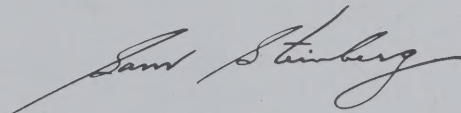
we wish to affirm our faith in our province, its government and above all in its people. We are enthused at the new vitality and purpose of our province. The great majority of Quebec citizens, we feel sure, are working towards a stronger, more modern Quebec within a greater Canada. We are convinced that Quebec will continue to be a good place to live, a good place for other Canadians to invest, a good place for Steinberg's to grow.

A distinguished historian has written "Belief in progress means belief not in any automatic or inevitable process, but in the progressive development of human potentialities." Nothing could more clearly express the Steinberg philosophy. It is our belief that Steinberg's will progress to the extent that intelligent men and women within the Company find in their work the opportunity for personal growth—the opportunity to challenge the current way of doing things, to give free expression to their own constructive and creative ideas, and to participate to the greatest possible extent in effecting desirable change. This philosophy is being widely applied throughout our Company today. Employees at all levels are contributing to the solving of Company problems, the development of new methods and the exploration of ideas for the Company's potential future growth.

If this approach is as sound as we believe, Steinberg's has already made a good start toward its second half-century of progress.

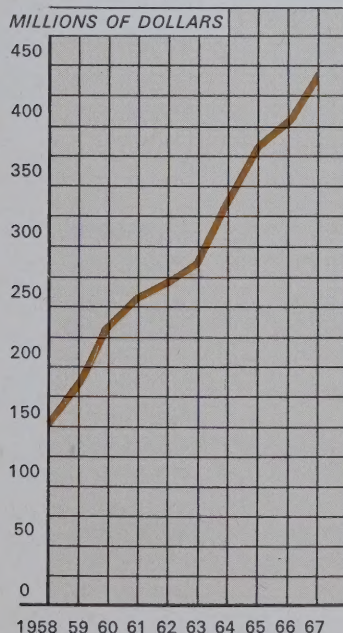
On behalf of the Board

Montreal, November 10 1967.

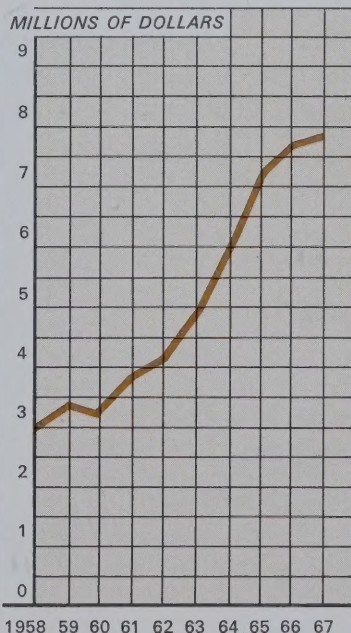


President.

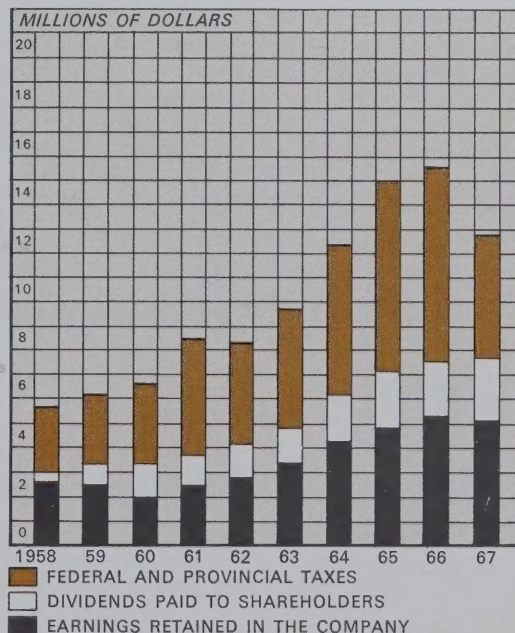
SALES for fiscal years 1958-1967



NET EARNINGS after taxes for fiscal years 1958-1967



DISTRIBUTION OF EARNINGS for fiscal years 1958-1967



CONSOLIDATED BALANCE SHEET

as at July 29, 1967

ASSETS

CURRENT ASSETS

	1967	1966
	\$	\$
Cash	2,009,742	905,667
Marketable investments—at cost (approximately market value)—		
Ivanhoe Corp. and subsidiaries	1,642,934	1,940,418
Other	9,228,232	22,353,077
Accounts receivable—Ivanhoe Corp. and subsidiaries	158,899	554,323
—Other	1,429,045	1,159,190
Inventories—at the lower of cost or market . . .	39,462,408	31,059,383
Prepaid expenses	1,157,187	1,290,236
	<u>55,088,447</u>	<u>59,262,294</u>

INVESTMENTS AND OTHER ASSETS

Ivanhoe Corp. and subsidiaries (notes 1 and 2)— Class "A" and common shares—at cost . . .	16,796,000	6,800,000
Equity in consolidated net earnings since acquisition	998,670	
	<u>17,794,670</u>	<u>6,800,000</u>
Preferred shares—at cost	21,408,800	6,408,800
Advances	10,419,993	19,710,000
	<u>49,623,463</u>	<u>32,918,800</u>
Sundry investments—at cost	3,159,332	2,454,726
	<u>52,782,795</u>	<u>35,373,526</u>

FIXED ASSETS

	Cost	Accumulated depreciation		
	\$	\$		
Land and buildings	5,648,593	673,196	4,975,397	5,077,236
Equipment	64,388,291	31,598,002	32,790,289	24,607,920
	<u>70,036,884</u>	<u>32,271,198</u>	<u>37,765,686</u>	<u>29,685,156</u>
Leaseholds and leasehold improvements—at cost less amortization			7,718,631	5,766,569
			<u>45,484,317</u>	<u>35,451,725</u>

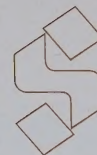
UNAMORTIZED DEBENTURE DISCOUNT

SIGNED ON BEHALF OF THE BOARD

SAM STEINBERG, *Director*

H. ARNOLD STEINBERG, *Director*

<u>153,987,722</u>	<u>130,792,625</u>
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STEINBERG'S LIMITED AND SUBSIDIARIES

LIABILITIES

CURRENT LIABILITIES

	1967	1966
	\$	\$
Notes payable	6,581,900	
Accounts payable and accrued liabilities	24,218,481	24,383,497
Dividend payable on preferred shares	61,701	61,892
Income taxes	1,943,359	2,910,314
Current portion of long-term debt	1,000,000	629,000

	33,805,441	27,984,703
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LONG-TERM DEBT (note 3)

	34,500,000	32,700,000
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

Authorized—

100,000 cumulative redeemable preferred shares of the par value of \$100 each

102,000 non-cumulative redeemable subordinated preferred shares of the par value of \$98 each

4,500,000 Class "A" shares without nominal or par value—non-voting

3,500,000 common shares without nominal or par value

Issued and fully paid—

46,743 5¼% preferred shares—Series "A" .	4,674,300	4,688,800
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102,000 2½% subordinated preferred shares .	9,996,000	
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3,695,064 Class "A" shares	2,716,896	2,163,696
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3,000,000 common shares	1,500,000	1,500,000
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	18,887,196	8,352,496
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CONTRIBUTED SURPLUS

Premium received on issue and conversion of share capital	10,180,291	10,180,291
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RETAINED EARNINGS

	56,614,794	51,575,135
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	85,682,281	70,107,922
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	153,987,722	130,792,625
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CONSOLIDATED STATEMENT OF EARNINGS

For the year ended July 29, 1967

	1967 \$	1966 \$
SALES	439,495,953	400,882,856
OPERATING EXPENSES		
Cost of sales and other operating and administrative expenses	351,717,352	322,135,654
Wages and employee benefits	58,445,059	50,103,998
Directors' and officers' remuneration	566,926	587,652
Rentals and lease purchase payments	11,250,914	9,131,840
Depreciation	5,190,635	4,396,231
	427,170,886	386,355,375
EARNINGS FROM OPERATIONS	12,325,067	14,527,481
LONG-TERM DEBT EXPENSES		
Interest on long-term debt and amortization of debenture discount	2,144,147	1,346,738
	10,180,920	13,180,743
OTHER INCOME		
Income from investments—		
Interest on advances—Ivanhoe Corp.	1,541,640	1,251,134
Dividends on preferred shares—Ivanhoe Corp.	187,500	
Other interest	590,252	712,999
Miscellaneous	327,326	231,664
	2,646,718	2,195,797
	12,827,638	15,376,540
PROVISION FOR INCOME TAXES (note 7)	6,128,000	7,736,553
	6,699,638	7,639,987
EQUITY IN CONSOLIDATED NET EARNINGS OF IVANHOE CORP. (note 2)	998,670	
NET EARNINGS FOR THE YEAR	7,698,308	7,639,987

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended July 29, 1967

	1967 \$	1966 \$
BALANCE—BEGINNING OF YEAR	51,575,135	46,489,445
Net earnings for the year	7,698,308	7,639,987
	59,273,443	54,129,432
Dividends—Preferred shares	245,578	250,361
—Class "A" and common shares	2,399,563	2,181,055
Financing costs		51,046
Loss on disposal of land and buildings	13,508	71,835
	2,658,649	2,554,297
BALANCE—END OF YEAR	56,614,794	51,575,135



STEINBERG'S LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended July 29, 1967

	1967	1966
	\$	\$
SOURCE OF FUNDS		
Net earnings for the year	7,698,308	7,639,987
Charges not requiring cash outlay, principally depreciation	5,263,552	4,396,231
	<u>12,961,860</u>	<u>12,036,218</u>
Long-term debt and capital stock issued—		
6½% series "B" debentures		14,662,500
Notes payable	6,500,000	
102,000 subordinated preferred shares	9,996,000	
Class "A" shares to employees (1967—55,320 shares; 1966—69,842 shares)	553,200	698,420
	<u>30,011,060</u>	<u>27,397,138</u>
USE OF FUNDS		
Increase in investments and other assets	17,409,269	3,254,407
Additions to fixed assets—net	15,236,735	13,793,797
Reduction of long-term debt	4,700,000	800,000
Redemption of 5¼% preferred shares	14,500	120,500
Dividends	2,645,141	2,431,416
Financing costs		51,046
	<u>40,005,645</u>	<u>20,451,166</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(9,994,585)	6,945,972
WORKING CAPITAL—BEGINNING OF YEAR	31,277,591	24,331,619
WORKING CAPITAL—END OF YEAR	<u>21,283,006</u>	<u>31,277,591</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 29, 1967

1. INVESTMENTS AND OTHER ASSETS

During the year the company exchanged \$15,000,000 of its advances to Ivanhoe Corp. for 150,000 5% non-cumulative redeemable preferred shares of that company, of the par value of \$100 each. Subsequently the company acquired 51% ownership of Ivanhoe Corp. by the purchase of 45,900 Class "A" and 5,100 common shares of that company thereby bringing its total interest therein to 100%. This followed an evaluation of all outstanding Class "A" and common shares of Ivanhoe Corp. made by Canadian Appraisal Company, Limited which appraisal determined the total value of all such outstanding shares as at April 30, 1967 to be \$23,000,000.

The purchase price of the 51% share interest in Ivanhoe Corp. was set at \$9,996,000. Payment was made by the issue of 102,000 non-cumulative redeemable subordinated preferred shares of Steinberg's Limited of the par value of \$98 each.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies in which Steinberg's Limited has a controlling interest, excluding Ivanhoe Corp. and subsidiaries.

Since Ivanhoe Corp. and subsidiaries are unrestricted as regards financing, under the existing trust agreements in respect of Series "A" and Series "B" sinking fund debentures of Steinberg's Limited, the accounts of these companies remain unconsolidated and are produced separately in the annual report to shareholders.

The consolidated net earnings of Ivanhoe Corp. and subsidiaries have been included in the consolidated financial statements of Steinberg's Limited for the three months ended July 29, 1967, to the extent that such earnings reflect an increase in the equity of Steinberg's Limited in Ivanhoe Corp.

3. LONG-TERM DEBT

	Annual sinking fund requirements	1967	1966
	\$	\$	\$
Sinking fund debentures—			
5¼% due December 1, 1972			2,545,500
5¼% due October 1, 1973			1,283,500
5¼% due June 15, 1984—Series "A"	500,000	14,000,000	14,500,000
6½% due April 15, 1986—Series "B"	500,000	15,000,000	15,000,000
		29,000,000	33,329,000
Current portion due within one year included in current liabilities		1,000,000	629,000
		28,000,000	32,700,000
Notes payable—			
6½% due June 6, 1970		2,000,000	
6½% due June 1, 1969-1972		4,500,000	
		34,500,000	32,700,000

4. CAPITAL STOCK

- (a) By Supplementary Letters Patent dated July 19, 1967 the capital of the company was increased by the authorization and issue of 102,000 non-cumulative redeemable subordinated preferred shares of the par value of \$98 each. The new preferred shares are non-voting and their rights are subordinate to existing preferred shares. Holders of the new shares will not be entitled as of right to subscribe for, purchase, or receive any shares, bonds, debentures or other securities of the company.

No dividend will be payable upon the new shares prior to August 1, 1972. Thereafter, the holders of such shares may receive non-cumulative dividends at the rate of 2½% per annum if and when declared by the directors of the company.

It is also provided that none of the new shares may be retired prior to August 1, 1972. After that date, the company may redeem or purchase such shares in cash, but only to a maximum paid-up value of \$1,000,000 in each year.

- (b) The company has reserved 286,696 Class "A" shares as follows:

- (i) 86,700 shares to satisfy options granted to senior employees exercisable at a price of \$10 per share over the period from December 1, 1967 to December 1, 1971.

4. CAPITAL STOCK (cont'd)

- (ii) A maximum of 199,996 shares to satisfy subscription rights of eligible employees under the Employee Stock Purchase Plan 1967 at a price of \$17 per share for 114,241 shares which were subscribed for on January 15, 1967, and at prices as yet undetermined, but which in each case will not be less than 10% below the then current market price for additional shares which may be subscribed for by eligible employees on January 15, 1968 and January 15, 1969.

5. LONG-TERM LEASES

The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long-term leases in effect July 29, 1967 for each of the periods shown are as follows:

	Payable to Ivanhoe Corp. and subsidiaries \$	Payable to others \$	Total \$
1968-72	20,922,000	32,131,000	53,053,000
1973-77	18,858,000	28,106,000	46,964,000
1978-82	14,767,000	25,022,000	39,789,000
1983-87	9,491,000	20,460,000	29,951,000
After 1987	5,815,000	10,213,000	16,028,000
Total	<u>69,853,000</u>	<u>115,932,000</u>	<u>185,785,000</u>

6. CONTINGENT LIABILITIES

- (a) The company has undertaken to provide cash to meet any obligations which Steinberg's Shopping Centres Limited, a subsidiary of Ivanhoe Corp., is unable to or fails to meet, including payments of principal and interest, on its funded indebtedness. At July 29, 1967 such funded indebtedness amounted to \$7,140,000.
- (b) No provision has been made for the amount of \$733,600 claimed in a legal action against the company, taken by the Joint Committee of the Retail Food Industry Montreal Region, which is pending in the Quebec Superior Court. A judgment of that court declared the governmental decree on which the action is based to be ultra vires; however, this judgment was reversed by the Quebec Court of Appeal on October 24, 1967. The company intends to apply for leave to appeal to the Supreme Court of Canada.
- (c) The company has guaranteed short-term notes payable of Ivanhoe Corp. to a limit of \$5,000,000. The amount outstanding at July 29, 1967 was \$3,463,800.

7. INCOME TAXES

- (a) The Deputy Minister of Revenue of the Province of Quebec has instituted legal action against the company claiming taxes for the years 1951 to 1963 inclusive, aggregating \$902,000, including interest to the date of the action, on profits made through the disposition of capital assets. Counsel for the company has advised that this claim has no legal merit and the action is being contested. No provision has been made in the accounts for this claim. Capital profits have been credited to retained earnings and any eventual tax liability will be charged to retained earnings.
- (b) The provision for income taxes for the current year has been calculated after claiming depreciation for tax purposes in excess of that recorded in the accounts by \$827,000. The net book value of depreciable fixed assets exceeds their undepreciated capital cost for tax purposes by \$2,500,000.

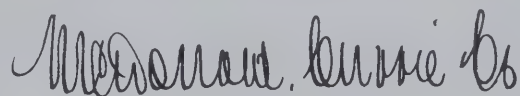
8. GENERAL

Certain figures for the previous year have been reclassified for purposes of comparison.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Steinberg's Limited and subsidiaries as at July 29, 1967 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at July 29, 1967 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



October 24, 1967

Chartered Accountants



STEINBERG'S LIMITED AND SUBSIDIARIES

TEN YEAR STATISTICAL REVIEW

	1967	1966	1965	1964
Sales	\$439,495,953	\$400,882,856	\$379,096,946	\$327,227,287
Net Earnings for the Fiscal year \$	7,698,308	7,639,987	7,134,626	6,012,477
Net Earnings per Dollar of Sales	1.75¢	1.90¢	1.88¢	1.83¢
Net Earnings per Share (Common and Class "A") \$	1.11	1.11 *	2.09	1.76
Total Dividends \$	2,645,141	2,431,416	2,135,696	1,779,907
Inventories \$	39,462,408	31,059,383	28,123,428	25,018,239
Working Capital \$	21,283,006	31,277,591	24,331,619	21,455,400
Total Assets	\$153,987,722	\$130,792,625	\$106,847,024	\$102,959,066
Shareholders' Equity \$	85,682,281	70,107,922	64,444,312	59,060,102
Percent return on Equity	8.99%	10.90%	11.07%	10.18%
Equity per Share (Common and Class "A") \$	10.61	9.85 *	18.15	16.63
Salaries & Wages and Employee Benefits \$	59,011,985	50,691,650	43,420,833	35,969,126
Supermarkets	168	157	148	143
Department Stores	15	11	10	8

* The Common and Class "A" shares were subdivided on a 2 for 1 basis in 1966

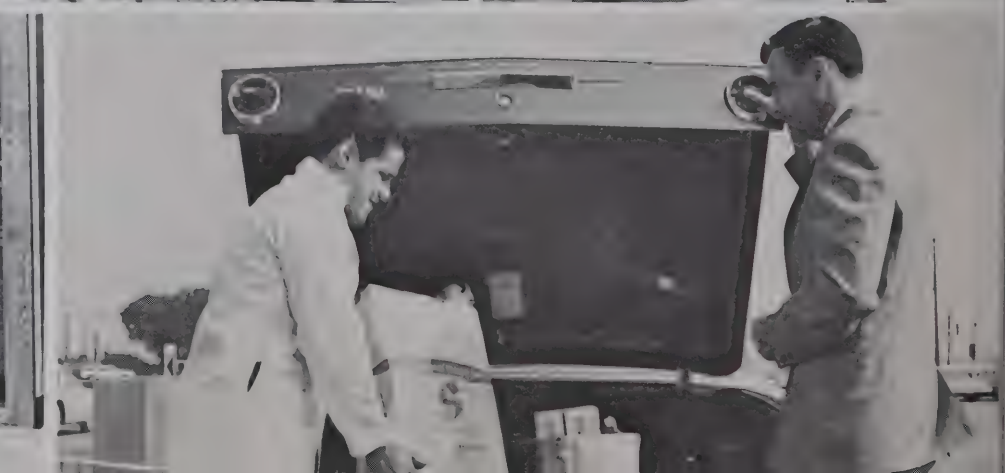
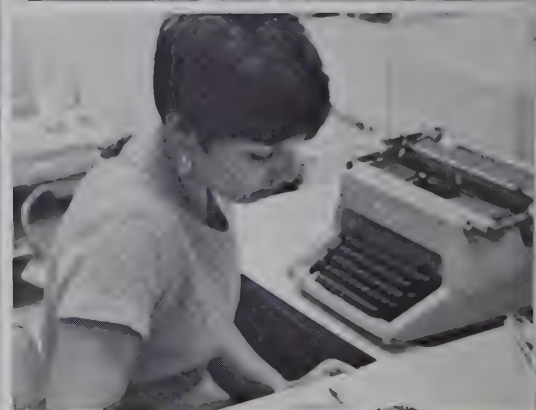


1963	1962	1961	1960	1959	1958
\$286,809,909	\$267,964,704	\$253,222,229	\$238,117,239	\$178,261,413	\$150,925,637
\$ 4,801,471	\$ 4,137,146	\$ 3,817,692	\$ 3,241,838	\$ 3,392,785	\$ 2,995,210
1.67¢	1.54¢	1.51¢	1.36¢	1.90¢	1.98¢
\$ 1.60	\$ 1.37	\$ 1.26	\$ 1.07	\$ 1.13	Before recapitalization
\$ 1,457,196	\$ 1,384,318	\$ 1,373,413	\$ 1,366,221	\$ 816,019	\$ 262,500
\$ 19,907,676	\$ 16,707,112	\$ 14,575,382	\$ 13,975,507	\$ 12,037,282	\$ 7,500,118
\$ 11,183,276	\$ 10,618,913	\$ 8,882,120	\$ 8,628,187	\$ 11,293,343	\$ 8,991,276
\$ 82,411,228	\$ 73,188,977	\$ 70,450,000	\$ 68,555,990	\$ 67,544,941	\$ 41,010,273
\$ 54,846,171	\$ 50,857,810	\$ 47,876,543	\$ 44,285,250	\$ 38,622,472	\$ 24,856,964
8.75%	8.13%	7.97%	7.32%	8.78%	12.05%
\$ 15.19	\$ 13.85	\$ 12.84	\$ 11.78	\$ 9.67	Before recapitalization
\$ 30,424,953	\$ 26,146,509	\$ 24,181,977	\$ 22,616,120	\$ 17,113,387	\$ 14,864,896
141	138	132	123	108	62
5	2	—	—	—	—

People Are The Pulse

"Merchandising is a very human thing. However great the innovations that modern methods may introduce, it must have simple, human qualities at its heart and core. The success of Steinberg's and the part it plays in the lives of hundreds of thousands of Canadian families, is an example of the momentum that is given to freedom of enterprise when it seizes the opportunities that lie in this country, in the freedom to give dependable service."

The Montreal Gazette







SHOPPING CENTRES WHOLLY OR PARTIALLY OWNED BY IVANHOE CORP.

MONTREAL AREA

Beaconsfield
Dorval
*Cote St. Luc
Fleury
Forest
Ile Perrot
*Greenfield Park
Montenach
Notre Dame

Place Bourassa

Pont Viau

*Rockland

Rosemere

St. Martin

Val Royal

*Van Horne

*Ville Jacques Cartier

West Island Mall

*Wilderton

OTHER QUEBEC CENTRES

Charlesbourg
Chicoutimi
Place Belvedere (Sherbrooke)
Place Ste. Foy

OTTAWA AREA

Eastview
Elmvale
Fairlawn Plaza

* - Partially owned

INTRODUCTION TO IVANHOE CORP.



Ivanhoe Corp. was incorporated in 1953 under the laws of the Province of Quebec to administer, manage and develop real estate and immoveable property. Since then, directly and through subsidiaries, it has been engaged principally in the acquisition, development and management of properties which have been selected and planned in association with the management of Steinberg's.

Ivanhoe was formed to meet Steinberg's increasing need for expansion capital. Steinberg's had twice issued 5¼% sinking fund debentures and the trust deeds relating to these issues effectively prohibited further mortgage financing by the Company or by any of its subsidiaries. The solution was to create a new financing medium which would not be a subsidiary of Steinberg's. Ivanhoe's shares were therefore issued to the Steinberg family who also were sole owners of Steinberg's Limited.

Between 1953 and 1958 Steinberg's expanded rapidly. Stores were built on properties acquired by Ivanhoe, then sold to Ivanhoe's subsidiary, Steinberg's Properties Limited, which in turn was able to issue mortgage bonds on the security of the properties and of the long term leases signed by Steinberg's.

Thus by 1958 Ivanhoe effectively owned many of Steinberg's stores. In that year, prior to its issuing Class "A" shares to the public, Steinberg's Limited acquired a 49% interest in Ivanhoe. Thus Steinberg shareholders were provided with a substantial equity interest in Ivanhoe without affecting that company's role as a financing medium.

Trust deed provisions in subsequent Steinberg debenture issues were liberalized so as to permit independent financing by "unrestricted subsidiaries". Therefore, after the two earlier debenture issues were retired in May 1967 it became possible for Steinberg's Limited to acquire full ownership of Ivanhoe.

Ivanhoe Corp. is a complex organization with many subsidiary and affiliated companies. Ivanhoe now owns:

- (i) through its subsidiary, Steinberg's Properties Limited, 6 supermarket properties in the shopping centres referred to in (ii) below, 2 warehouses and 31 other supermarket properties;
- (ii) directly or through other subsidiaries, 20 shopping centres, 6 department stores included therein, 5 supermarket properties, 3 warehouses and the large bakery of Steinberg Foods Limited;
- (iii) interests varying from 33⅓% to 51% of the outstanding voting shares of twelve companies which, in the aggregate, own 6 shopping centres, one department store property and substantial areas of vacant lands; and
- (iv) vacant lands or interests therein for possible future development.

The great majority of the developed properties are under lease to Steinberg's Limited.

The Consolidated Statements of Ivanhoe Corp. and its subsidiaries for the period ending July 29, 1967 are shown on the following pages.

CONSOLIDATED BALANCE SHEET

as at July 29, 1967

ASSETS

SHORT-TERM INVESTMENTS—

at cost (approximately market value)

*July 29,
1967*

\$

267,505

*April 30,
1967*

\$

212,505

ACCOUNTS RECEIVABLE

2,109,115

2,416,703

INVESTMENTS AND OTHER ASSETS (note 1)

50% owned companies—equity in net assets

231,485

211,045

Other companies—shares at cost

569,796

569,292

—advances

2,143,451

2,108,904

Other assets, principally amounts recoverable on
land transactions

2,687,219

2,793,521

5,631,951

5,682,762

PROPERTY (note 2)

Undeveloped land—at cost

14,842,739

13,867,063

Developed land—at cost

14,619,943

14,958,522

Buildings and parking areas—cost 73,411,443

Less: Accumulated depreciation 13,788,023

59,623,420

59,402,749

89,086,102

88,228,334

UNAMORTIZED BOND DISCOUNT

504,721

543,593

SIGNED ON BEHALF OF THE BOARD

SAM STEINBERG, *Director*

H. ARNOLD STEINBERG, *Director*

97,599,394

97,083,897



IVANHOE CORP. AND SUBSIDIARIES

LIABILITIES	<i>July 29, 1967</i>	<i>April 30, 1967</i>
SHORT-TERM DEBT	\$	\$
Bank advances	5,236,083	544,499
Notes payable	3,463,800	5,000,000
	<u>8,699,883</u>	<u>5,544,499</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Steinberg's Limited and subsidiaries	158,899	422,157
Other	1,762,055	1,764,779
Income taxes	192,719	137,562
	<u>2,113,673</u>	<u>2,324,498</u>
LONG-TERM DEBT AND OTHER OBLIGATIONS (note 3)	<u>59,688,867</u>	<u>63,138,359</u>
MINORITY INTEREST	<u>1,074,598</u>	<u>7,461,638</u>
	<u>71,577,021</u>	<u>78,468,994</u>
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—		
155,000 5% non-cumulative redeemable preferred shares of the par value of \$100 each		
200,000 Class "A" non-voting shares of the par value of \$1 each		
50,000 common shares of the par value of \$1 each		
Issued and fully paid—		
150,000 preferred shares	15,000,000	15,000,000
90,000 Class "A" shares	90,000	90,000
10,000 common shares	10,000	10,000
	<u>15,100,000</u>	<u>15,100,000</u>
PREFERRED SHARES OF A SUBSIDIARY HELD BY STEINBERG'S LIMITED	6,408,800	
 RETAINED EARNINGS	<u>4,513,573</u>	<u>3,514,903</u>
	<u>26,022,373</u>	<u>18,614,903</u>
	<u>97,599,394</u>	<u>97,083,897</u>

CONSOLIDATED STATEMENT OF EARNINGS

For the three months ended July 29, 1967

INCOME	\$	\$
Rentals—Steinberg's Limited and subsidiaries . .	2,039,984	
—Other	1,218,155	
Miscellaneous	95,207	
Gain on sale of land	779,130	4,132,476
EXPENSES		
Operating and administrative	504,037	
Depreciation	824,719	
Interest on debt and amortization of bond discount		
—Steinberg's Limited	213,380	
—Other	1,194,307	2,736,443
		1,396,033
PROVISION FOR INCOME TAXES (note 5)		183,177
NET EARNINGS BEFORE MINORITY INTEREST		1,212,856
MINORITY INTEREST		47,128
		1,165,728
SHARE OF NET EARNINGS OF 50% OWNED COMPANIES (note 1)		20,442
NET EARNINGS FOR THE PERIOD		1,186,170

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the three months ended July 29, 1967

	\$
BALANCE—APRIL 30, 1967	3,514,903
Net earnings for the period	1,186,170
	4,701,073
Dividend on preferred shares	187,500
BALANCE—JULY 29, 1967	4,513,573

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended July 29, 1967

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all companies in which Ivanhoe Corp. alone or Ivanhoe Corp. and Steinberg's Limited, together have a controlling interest. The accounts of two 50% owned companies are included in these statements only to the extent of the amounts invested, plus the equity of Ivanhoe Corp. in the undistributed earnings of these companies since such investment.

The difference between the cost of shares in companies whose accounts have been consolidated and the book value of their net assets at the dates of acquisition has been allocated to the related assets in the consolidated financial statements.

2. PROPERTY

The cost of buildings includes amounts paid on construction in progress amounting to \$1,261,640. The cost to complete these projects is estimated at \$353,000.

3. LONG-TERM DEBT AND OTHER OBLIGATIONS

	Principal outstanding	
	July 29, 1967	April 30, 1967
First mortgage bonds—	\$	\$
4½% sinking fund bonds Series "A"—		
Steinberg's Properties Limited, due 1980	2,430,000	2,520,000
6% sinking fund bonds Series "B", "C" and "D"—		
Steinberg's Properties Limited due 1982-84	10,779,000	11,379,000
6¼% first mortgage bonds Series "B"—Ivanhoe Corp. due 1991 (repayable in U.S. currency \$2,500,000)	2,644,643	2,692,188
6¼% first mortgage bonds Series "A"—Ivanhoe Corp. due 1991 . . .	5,900,000	6,000,000
7% sinking fund bonds Series "A"—		
Steinberg's Shopping Centres Limited due 1985	7,140,000	7,140,000
	<u>28,893,643</u>	<u>29,731,188</u>
Sinking fund requirements for the above bonds approximate \$1,235,000 for each of the ensuing five years.		
Mortgage loans and balances payable on land purchases—		
5%—7% balances payable on land purchases	3,955,979	3,771,849
5½%—7½% mortgage loans, repayable in varying monthly instalments to 1985	12,828,590	13,077,150
	<u>16,784,569</u>	<u>16,848,999</u>
Advances from shareholders and others—		
Non-interest bearing	760,261	757,406
5%—7½% due on demand	2,830,401	2,879,326
6%—7% due to Steinberg's Limited—on demand	2,116,009	4,617,456
7% due to Steinberg's Limited—1973	8,303,984	8,303,984
	<u>14,010,655</u>	<u>16,558,172</u>
	<u>59,688,867</u>	<u>63,138,359</u>

4. CONTINGENT LIABILITIES

(a) Legal actions

A legal action claiming \$1,000,000 has been instituted against Ivanhoe Corp. for an alleged breach of sale agreement in connection with a property transaction. This action is being contested.

(b) Guarantees

Ivanhoe Corp. has guaranteed bank loans, amounting to \$2,127,500, of companies in which it has ownership interests.

5. INCOME TAXES

No provision is required for income taxes for Ivanhoe Corp. for the three months ended July 29, 1967 as the company intends to apply losses of prior years and claim for tax purposes carrying charges capitalized as a cost of undeveloped land and depreciation in excess of that recorded in the accounts for the current period.

Income tax assessments totalling \$173,000 excluding interest, have been received by Ivanhoe Corp. and its subsidiaries for 1965 and prior years. These are being disputed. If the principles on which these assessments have been made are upheld, it is estimated that additional taxes amounting to approximately \$100,000 excluding interest may be levied in respect to those years not yet assessed. No provision for these amounts has been made in the accompanying accounts.

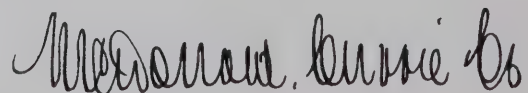
6. GENERAL

Certain figures as at April 30, 1967 have been reclassified for purposes of comparison.

AUDITORS' REPORT TO THE SHAREHOLDERS

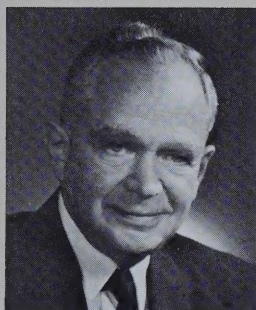
We have examined the consolidated balance sheet of Ivanhoe Corp. and its subsidiaries as at July 29, 1967 and the consolidated statements of earnings and retained earnings for the three months ended on that date and have obtained all the information and explanations we have required. Our examination of the financial statements of Ivanhoe Corp. and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings, when read in conjunction with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at July 29, 1967 and the consolidated results of their operations for the three months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



October 17, 1967

Chartered Accountants



SAM STEINBERG
President & Chairman
of the Board



NATHAN STEINBERG
Senior Vice-President
& Vice-Chairman
of the Board

BOARD OF DIRECTORS STEINBERG'S LIMITED



MELVYN DOBRIN
Executive
Vice-President,
Retailing



JAMES N. DOYLE
Vice-President,
General Counsel
& Secretary



LEO GOLDFARB
Executive
Vice-President,
Corporate Affairs



WILLIAM SHERMAN
Vice-President &
General Manager,
Miracle Mart Division



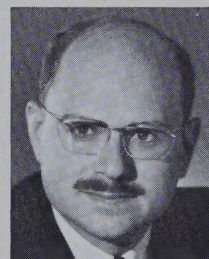
LAZARUS PHILLIPS,
O.B.E., Q.C.
Director



GÉRARD PLOURDE
Director



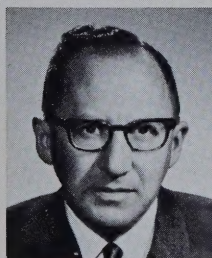
WILLIAM HOWIESON
Comptroller



**H. ARNOLD
STEINBERG**
Vice-President
Administration &
Treasurer

All Board members except Mr. Phillips and Mr. Plourde are members of the Company's Management Committee.

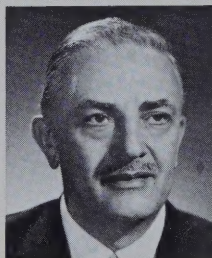
OTHER OFFICERS AND MEMBERS OF THE MANAGEMENT COMMITTEE



JACK LEVINE
Vice-President
& General Manager,
Quebec Division
(OM)



JOHN PARÉ
Director, Personnel
Administration
(M)



OSCAR PLOTNICK
Vice-President &
General Manager,
Ontario Division
(OM)



MORRIS ROTSTEIN
Assistant Treasurer
(O)

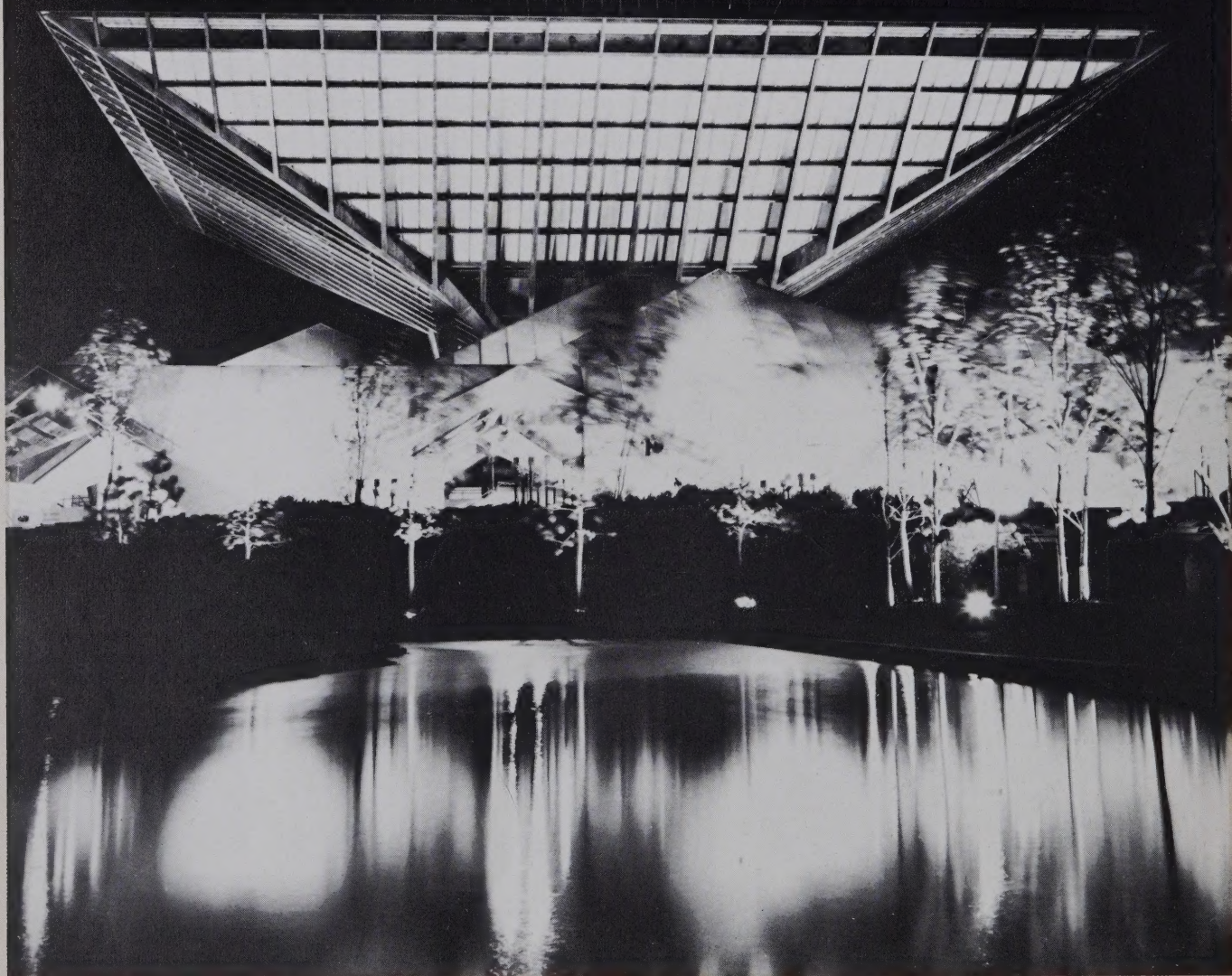


MORRIS STEINBERG
Vice-President &
General Manager,
Pinky Stamps Limited
(M)

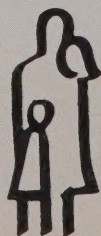
(O)—Officer

(M)—Management Committee

WE ARE PROUD
TO HAVE GROWN
WITH CANADA



serving Canadian



families since 1917

DIRECTORS

SAM STEINBERG
NATHAN STEINBERG
MELVYN DOBRIN
JAMES N. DOYLE
LEO GOLDFARB
WILLIAM HOWIESON
GÉRARD PLOURDE
WILLIAM SHERMAN
H. ARNOLD STEINBERG
LAZARUS PHILLIPS, O.B.E., Q.C.

OFFICERS

SAM STEINBERG
President & Chairman of the Board
NATHAN STEINBERG
*Senior Vice-President & Vice-Chairman
of the Board*
MELVYN DOBRIN
Executive Vice-President, Retailing
LEO GOLDFARB
Executive Vice-President, Corporate Affairs
JAMES N. DOYLE
Vice-President, General Counsel & Secretary
JACK LEVINE
*Vice-President & General Manager,
Quebec Division*
OSCAR PLOTNICK
*Vice-President & General Manager,
Ontario Division*
WILLIAM SHERMAN
*Vice-President & General Manager,
Miracle Mart Division*
H. ARNOLD STEINBERG
Vice-President Administration & Treasurer
WILLIAM HOWIESON
Comptroller
MORRIS ROTSTEIN
Assistant Treasurer

SUBSIDIARY COMPANIES

Ivanhoe Corp.
Miracle Mart Limited
Ottawa Fruit Supply Limited
Pik-Nik Limited
Pinky Stamps Limited
Rexworth Investments Limited
Steinberg Enterprises Ltd.
Steinberg Foods Limited

TRANSFER AGENT

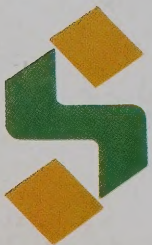
Montreal Trust Company
Montreal-Toronto

REGISTRAR

The Royal Trust Company
Montreal-Toronto

AUDITORS

McDonald, Currie & Co.
Montreal



STEINBERG'S LIMITED
MONTREAL CANADA